



Jeremiah W. (Jay) Nixon, Governor • Kip A. Stetzler, Acting Director

DEPARTMENT OF NATURAL RESOURCES

www.dnr.mo.gov

DEC 20 2010

Mr. Mark Breshears, Chair
Region J – Quad Lakes Solid Waste Management District
P.O. Box 1238
Warsaw, MO 63355

Dear Mr. Breshears:

This is in reply to the Region J – Quad Lakes Solid Waste Management District's corrective action plan for the final independent accountant's report applying agreed upon procedures for the period ended June 30, 2007.

From Findings #1, #2, #5, and #10, it is clear the District has failed to maintain at arm's length its operations from those of its administrative contractor, Kaysinger Basin Regional Planning Commission (KBRPC) and has failed to adequately segregate resources between the two entities. In the future, the District will need to ensure KBRPC meets its contractual and/or subgrantee requirements as detailed in the Solid Waste Management Law, implementing regulations, and the Department of Natural Resources' Solid Waste Management Program's (SWMP's) General Terms and Conditions. KBRPC should not receive preferential treatment by the District as a result of their administrative contract with the District's Executive Board.

Quad Lakes Solid Waste Management District was formed under Chapter 261 RSMo and is a separate entity from KBPRC and as such the District is provided district grant funds by the SWMP. Under the SWMP's Financial Assistance Agreement (FAA) with the District, it is a requirement that district grant funds which include program income earned from projects and interest are appropriately segregated. District grant funding is to be used for solid waste management infrastructure development, plan implementation or district operations, and expenditures are to be timely and accurately reported to the SWMP. During the audit period, the District did not appropriately manage district grant funding. The SWMP's expectation is that future transactions by the District be conducted in compliance with the requirements for the use of Solid Waste Management Funds.

Following is our item-by-item response which specifies due dates for submission of supporting documentation by the District to the SWMP:

Item 1 Findings #4, #6, #7, #8, #9, #11, #12, and #13

These findings are fully resolved.

Item 2 Finding #1 Lack of Administrative Contract – Disallowed Amount: \$1,882.53.

SWMP Response: We understand the District was able to recover from the administrative contractor, KBRPC, on 11/4/10 the \$1,882.53 disallowed amount, which the District had been overcharged. The District will need to provide a copy of the check documenting the re-payment to the District and a copy of the District's bank statement and general ledger sheet showing the amount was deposited into the District's bank account and the transaction was recorded in the ledger. This supporting documentation should be provided to the SWMP within 60 days from the date of this letter. (Note: On December 3, 2010, the SWMP received a copy of the check written from KBRPC to the District.)

We understand the District has changed its administrative contract to require reimbursements for administrative services to be for the amount of actual costs incurred and copies of supporting documentation for allowable expenditures must be provided at the time reimbursement is requested. Within 60 days, the District will need to provide to the SWMP a copy of the amended district policies and procedures including a copy of the Executive Board meeting minutes where the amendments were approved.

Receipt of the above documentation will fully resolve Finding #1.

Item 3 Finding #2 Inappropriate reimbursement – Disallowed Amount: \$2,880.61

SWMP Response: We understand the District was able to recover from the subgrantee, KBRPC, on 11/4/10 the \$2,880.61 disallowed amount which the District had inappropriately reimbursed. The District will need to provide a copy of the check documenting the re-payment to the District and a copy of the District's bank statement and general ledger showing the amount was deposited into the District's bank account and the transaction was recorded in the ledger. This supporting documentation should be provided to the SWMP within 60 days from the date of this letter. (Note: On December 3, 2010, the SWMP received a copy of the check written from KBRPC to the District.)

We understand the District's Executive Board has chosen to no longer require matching funds and such decision has been incorporated into the District's amended policies and procedures. Amendments have also been made to the District's program income policies and procedures. Within 60 days, the District will need to provide to the SWMP a copy of the amended district policies and procedures including a copy of the Executive Board meeting minutes where the amendments were approved.

Receipt of the above documentation will fully resolve Finding #2.

Item 4 Finding #3 Conflict of Interest – Council and Board Members

SWMP Response: We understand the District will submit a copy of the signed minutes for the meeting where the next subgrants are awarded to verify the District's compliance with their conflict of interest policy. This documentation may be submitted with the next quarterly reports following the District's subgrant meeting.

Receipt of the above documentation will fully resolve Finding #3.

Item 5 Finding #5 Unapproved Loan to KBRPC – Disallowed Amount: \$15,000

SWMP Response: We understand the District was able to recover on 11/4/10 from KBRPC \$1,666, a portion of the disallowed amount for a loan that was unrelated to solid waste management infrastructure development. The District will need to provide a copy of the check documenting the re-payment to the District and a copy of the District's bank statement and general ledger sheet showing the amount was deposited into the bank account and the transaction was recorded in the ledger. This supporting documentation should be provided to the SWMP within 60 days from the date of this letter.

Member dues paid by counties are "Other Cash" available to the District. We found that the District's Bylaws adopted on November 19, 2009, and a copy provided electronically state that "Dues shall be used towards district operations and/or district grants." Additionally, the independent auditor's workpapers included copies of letters from member counties submitting their dues and noting such dues were required to match district administrative grant funds. This documentation establishes a restriction set by the members as to the use of such funds. Therefore, the \$13,334 in member dues cannot be used to offset the remaining balance of the disallowed "loan" to KBRPC. Unless KBRPC can repay the \$13,334 balance and documentation is provided to the SWMP within 60 days, the disallowed amount will be withheld by the SWMP from the 3rd quarter 2011 allocation.

Receipt of the above documentation and withholding of the disallowed amount will fully resolve Finding #5.

Item 6 Finding #10 Reimbursement Prior to FAA Execution – Disallowed Amount: \$2,389.94

SWMP Response: We understand the District will receive from the subgrantee, KBRPC, reimbursement of the \$2,389.94 disallowed no later than 12/5/10. The District will need to provide a copy of the check documenting the re-payment to the District and a copy of the District's bank statement and general ledger sheet showing the amount was deposited into the bank account and the transaction was recorded in the ledger. This supporting documentation should be provided to the SWMP within 60 days from the date of this letter.

Within 60 days of the date of this letter, the District will need to provide to the SWMP a copy of amended District Policies and Procedures related to verification and disbursement of funds only after full execution of an FAA and a copy of the District's Executive Board meeting minutes approving such amendments.

Receipt of the above documentation will fully resolve Finding #10.

Item 7 Finding #14 Incomplete or Inaccurate Accounting of Subgrants

SWMP Response: Within 60 days of the date of this letter the District will need to provide to the SWMP a copy of amended District Policies and Procedures related to disbursement of district grant funds and a copy of the District's Executive Board meeting minutes approving such amendments.

Receipt of the above documentation will fully resolve Finding #14.

Mr. Mark Breshears
Page Four

Item 8 Finding #15 Accounting Records Not Accurately Maintained

SWMP Response: Within 60 days of the date of this letter, the District will need to provide to the SWMP the documentation identifying unobligated district funds by source.

Receipt of the above documentation will fully resolve Finding #15.

Please do not hesitate to contact Ms. Brenda Ardrey at (573) 526-9940 or by mail at P.O. Box 176, Jefferson City, Missouri 65102, if you have any questions or require further clarification. Thank you for your cooperation and assistance in this effort.

Sincerely,

SOLID WASTE MANAGEMENT PROGRAM



Chris Nagel
Director

CN/bab

c: Senator Delbert Scott, Missouri Senate
Senator David Pearce, Missouri Senate
Representative Tom Self, Missouri House of Representatives
Representative Larry Wilson, Missouri House of Representatives
Representative Scott Largent, Missouri House of Representatives
Representative Barney Fisher, Missouri House of Representatives
Representative Mike Parson, Missouri House of Representatives
Mr. Mark Arbuthnot, Region J Executive Board Member
Ms. Judy Epperson, Region J Executive Board Member
Mr. Roy Meredith, Region J Executive Board Member
Mr. John Neuenschwander, Region J Executive Board Member
Mr. Jim Talley, Region J Executive Board Member
Mr. Brad True, Region J Executive Board Member
Ms. Crystal Lovett, Legislative Liaison
Ms. Linda Jaegers, Fiscal & Administrative Manager, Division of Environmental Quality
Mr. Kendall Blythe, Program Director, Internal Audit Program
Ms. Hollie Cantrell, District Planner, Region J – Quad-Lakes SWMD